

**TO:** Dave Beran**DATE:** November 3, 1992**FROM:** Roy T. Whalen**SUBJECT:** Marlboro's 1993 Promotional Spending

Due to the fact that Marlboro is increasing its promotional budget for 1993, listed below are promotional programs that should be considered to yield the largest volume gains. However, let me remind you that currently Marlboro tends to promote less than any other Premium Brand. As studies have shown, increased levels of price promotion frequency and discount depth drive consumers expectations of price for that particular brand down. Although, when analyzing Marlboro carton pricing, studies have indicated that Marlboro can sustain share at a price gap of 28 %. Therefore, any promotions that reduce the gap below this level will help grow Marlboro's share. With that in mind, some promotional ideas are:

**Carton Coupon Promotion**

Marlboro carton promotions offer the largest potential to generate volume in supermarkets. Supermarket price-off promotions for Marlboro can generate an in-store volume response of +21%, twice the volume response of incentives offers.

**Pack Price Promotion**

Multi-pack deals Convenience store promotion has generated significant in-store response for Marlboro. Multi-pack generates more response than incentives (+19%) or continuity (+9%); comparable two pack price deals generate greater response (+33%) than three pack (+12%). Single pack price deals in Convenience stores can generate +22%.

**Incentive Programs**

High valued incentive programs do not provide the largest volume response but do source the largest percentage of their volume from competitors. One study indicates that as much as 50% of Marlboro's volume gain was sourced from competition. However, due to low purchase requirements, pack incentive programs are extremely un-profitable.

**Direct Mail**

There are strong indications that direct mail/frequent shopper programs may be the best net-to-brand volume generators. The Marlboro \$4.00 Direct Mail program is estimated to have generated an average of +0.5 share points per week over 12 weeks. In comparison, the national share gain from Marlboro incentives is +0.1 points, price +0.3 share points.

**Display Benefit**

Display is the single most important element of a in-store promotion. In test, Marlboro generated five times (+38%) the volume response with a display to support a \$2.00 price promotion than the reduction generated alone (+7%). In addition, merging retail presence to an FSI can also significantly improve effectiveness. In past tests, display presence with an FSI doubled Marlboro's in-store response.

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